

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KEN GAS OF)	
KENTUCKY, INC. FOR APPROVAL TO)	CASE NO. 10346
CONSTRUCT AND FINANCE A GAS SYSTEM)	
TO SERVE THE CITY OF HYDEN, KENTUCKY)	

O R D E R

On August 11, 1988, Ken Gas of Kentucky, Inc. ("Ken Gas") filed an application for a Certificate of Public Convenience and Necessity to authorize construction of a natural gas system to serve the city of Hyden, Kentucky.

The Commission has issued several orders requesting information related to the proposed construction, but Ken Gas has not completely and adequately responded to the requests. The Commission is therefore of the opinion that additional information is still needed in order to properly evaluate the application of Ken Gas.

IT IS THEREFORE ORDERED that Ken Gas shall respond completely to the following questions no later than 14 days from the date of this Order. Ken Gas shall file the original and 10 copies of the following information with the Commission with a copy to all parties of record. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided herein should a public hearing be required.

1. With reference to the informal conference held July 18, 1989, Walton Haddix, representative of Ken Gas, mentioned a change in the name of the corporation seeking a Certificate of Public Convenience and Necessity, from Ken Gas to Hyden Gas Utility, Inc. ("Hyden Gas"). Mr. Haddix was uncertain if Ken Turner, the largest shareholder of Ken Gas, would participate in the Hyden Gas system.

a. Provide the full name(s) of the person(s) who will own and invest in the Hyden Gas system. Include the percentage of ownership by each individual and the amount of investment to be made by each owner.

b. If Ken Gas and Hyden Gas are different corporations and Hyden Gas is the corporation seeking a Certificate of Public Convenience and Necessity to construct the system, provide a franchise from the city of Hyden that was granted to Hyden Gas to distribute and sell gas within the city limits.

c. If Hyden Gas is the corporation seeking a Certificate of Public Convenience and Necessity, provide a copy of Hyden Gas's Articles of Incorporation and an application amended to reflect Hyden Gas as the applicant.

2. With reference to Ken Gas's response of August 11, 1989, Exhibit No. 1, which states, "Ken Gas will extend its services beyond Hyden city limits," provide all franchises obtained from political subdivisions where there is a need for natural gas service beyond the Hyden city limits.

3. With reference to Ken Gas's response of August 11, 1989, Exhibit No. 12, Draft Contract No. EREC-56, provide the following information:

a. Any affiliation of Kentucky West Virginia Gas Company and Equitable Resources Energy Company.

b. On page 1 of the draft contract, it was stated, "Whereas, the parties expect that Buyer will be required to arrange with various interstate or other pipeline systems for the transportation of gas purchased from seller." Provide information about the gas transporter and the cost of transportation.

c. With reference to Item 6, page 2, and Article III 1(a), of the draft contract, explain the maximum and minimum quantity of gas limitations.

d. With reference to Article XVI 1(b) of the draft contract, locate the delivery point and provide the cost of the construction of facilities from the delivery point to Ken Gas's receiving point.

e. Exhibit B of the draft contract shows the term of the contract is for 1 year. Is there a long-term agreement in addition to this draft contract? Explain.

4. With reference to Exhibit No. 1 of Ken Gas's response of August 11, 1989, provide documentation to support the estimated number of customers who are converting their existing fuel to natural gas for the projected 5 years.

5. Provide an energy use survey for the customers adjacent to the city of Hyden.

6. Explain why the deviation requested from 807 KAR 5:022, Section 9(17)(a)2, is for 2 years.

7. Item 5 of the July 27, 1989 Order requested an Investment Banking Agreement; however, to date none has been provided.

Provide the Investment Banking Agreement with W. N. Estes and Company, Inc. Include with the Agreement the Proposed Source and Use of Funds setting forth by dollar amounts: source of funds from proceeds of bonds; interest earnings; construction costs; contingencies; engineering fees; inspection fees; debt service reserve; construction interest; issuance costs; title and recording; and itemized source of funds other than bond proceeds from outside funds, including itemized costs to be covered by These outside funds. In the event an Investment Banking Agreement is not available, Ken Gas shall provide the above information.

8. Itemize and explain each item of the \$15,000 organization expense included in the response to the May 24, 1989 Order, Item 4, of the supplemental request.

9. In the response to Item 27 of the April 10, 1989 Order, Ken Gas indicated Walton Haddix will not charge for his services to Ken Gas; however, in the response to Item 4 of the supplemental request dated May 24, 1989, Ken Gas indicated a \$15,000 organization cost, which includes the costs of services provided by Walton Haddix in the preparation of this case. Will Walton Haddix either now or in the future operations of Ken Gas receive any type of compensation for his services? If so, explain and itemize.

10. a. Who, by full name, will oversee the operations of the Hyden Gas system?

b. Have costs for the operator(s) been included in Ken Gas's projections?

c. If so, how much and where, by account, have these costs been included?

d. If not, will Ken Gas ever be charged for these services? If so, specify the date and the amount that will be charged.

11. Pursuant to 807 KAR 5:001, Section 11(a) (b) (c) (d) (f), it is essential to provide the cost of the construction when requesting authority to issue evidences of indebtedness. Provide a detailed breakdown of the total project costs, including a description of each category of plant and other categories with amounts. Include all costs of the proposed project, including the use of such funds (i.e. materials, labor, consulting fees, engineering fees, easement costs, all hard costs, soft costs, etc.). The particular itemized amounts required here that are also included in Question 7 should be the same. If not, provide explanations as to why they are not equal.

12. Ken Gas has added to and revised its original annual operating expenses several times in this proceeding. Pursuant to 807 KAR 5:001, Section 11(a) (b) (c) (d) (e) (f); and Section 6, Financial Exhibits; provide the detailed income statement the applicant proposes to use for this proceeding. Provide descriptions and support for each item.

13. What is the likelihood of interruption of gas service?

Done at Frankfort, Kentucky, this 14th day of September, 1989.

PUBLIC SERVICE COMMISSION

ATTEST:


For the Commission

Executive Director